

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF HENDERSON UNION)	
ELECTRIC COOPERATIVE CORPORATION)	
FOR AUTHORIZATION TO BORROW)	
\$3,345,000 FROM NATIONAL RURAL)	
UTILITIES COOPERATIVE FINANCE)	CASE NO. 97-401
CORPORATION AND TO ISSUE ITS)	
EVIDENCES OF INDEBTEDNESS THEREFOR)	
AND FOR CERTIFICATE OF CONVENIENCE)	
AND NECESSITY)	

O R D E R

On October 20, 1997, Henderson Union Electric Cooperative Corporation ("Henderson Union") applied for approval to borrow \$3,345,000 from the National Rural Utilities Cooperative Finance Corporation ("CFC"), and to execute its notes to secure such loan.

Having considered the evidence of record and being otherwise sufficiently advised, the Commission finds that:

1. Henderson Union has developed a three year construction work plan covering the years 1997-1999. Under its 1997-1999 Work Plan, Henderson Union will construct extensions and additions to its plant as follows:

a.	New Construction-Overhead	\$1,750,000
b.	New Construction-Underground	300,000
c.	Line Reinsulation	646,332
d.	Conversions & Line Changes	536,819
e.	Transformers & Meters	1,215,700

f.	Increased Service Capacity	237,500
g.	Sectionalizing Equipment	127,200
h.	Voltage Regulators	117,000
i.	Ordinary Pole Replacements	617,900
j.	Copper Replacement Program	4,860,000
k.	Clearance Poles	304,000
l.	Step Transformers	233,400
m.	Security Lights	<u>203,364</u>
	Total	\$11,149,215

2. The proposed construction is necessary for Henderson Union to provide adequate, reliable electric service to existing customers and anticipated new customers.

3. The system improvements recommended in this Work Plan will not duplicate existing facilities and are needed to correct voltage problems, improve phase balance, and provide for improved service reliability.

4. Henderson Union has applied to the Rural Utilities Service ("RUS") and National Rural Utilities Cooperative Finance Corporation ("CFC") for concurrent loans in the amounts of \$7,804,000 and \$3,345,000 respectively.

5. Since the filing of Henderson Union's application, RUS and CFC have divided the proposed financing into 2 phases. On February 11, 1998, RUS approved a loan of \$5,226,000 to Henderson Union on condition that it obtain a concurrent loan of \$2,240,000 from CFC. CFC approved a loan in the amount of \$2,240,000 on March 12, 1998. Loans for the remaining amounts will be obtained from these financing agencies at a later date.

6. The purpose of the proposed loans is to finance its 1997-1999 Work Plan.

7. The loan from CFC in the amount of \$2,240,000 is for lawful objects within Henderson Union's corporate purposes, is necessary and appropriate for and consistent with the proper performance of Henderson Union's service to the public and will not impair Henderson Union's ability to perform that service, and is reasonable, necessary and appropriate for such purposes.

8. Henderson Union is capable of executing its notes as security for the loan as stated herein.

9. As the issuance of securities or evidences of indebtedness subject to the control of a federal governmental agency does not require Commission approval, KRS 278.300(10), and as the RUS is an agency of the federal government, no action on Henderson Union's proposed loan from the RUS is required.

IT IS THEREFORE ORDERED that:

1. Henderson Union is granted a Certificate of Public Convenience and Necessity to construct the facilities described in its 1997-1999 Work Plan.

2. Henderson Union is authorized to borrow \$2,240,000 from CFC for a 35-year period and bearing either a fixed or variable rate, as chosen by Henderson Union at the time the first monies are drawn from CFC, subject to the provisions and terms of the application with respect to renegotiation of the interest rate.

3. Henderson Union is authorized to execute its notes as security for the loan authorized herein.

4. Henderson Union shall select the interest rate program which will result in the net lowest cost of money to it over the term of the financing.

5. Within 10 days of its selection of the interest rate program, Henderson Union shall notify the Commission in writing of the interest rate program selected and of the reasons for its selection.

6. Henderson Union shall use the proceeds from the proposed loans only for the lawful purposes set out in its application.

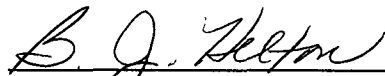
7. Henderson Union shall include in its monthly financial report to the Commission the current interest rate on its outstanding variable rate loans.

8. When Henderson Union presents its written request to RUS for the remaining \$2,578,00 in loans, it shall simultaneously file a copy of that request with the Commission.

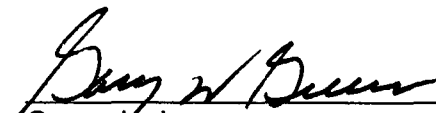
9. If Henderson Union applies to CFC for additional loans to finance projects set forth in its 1997-1999 Work Plan, it shall apply to the Commission for authority to execute any financing agreement or issue notes for those loans.

Done at Frankfort, Kentucky, this 30th day of March, 1998.

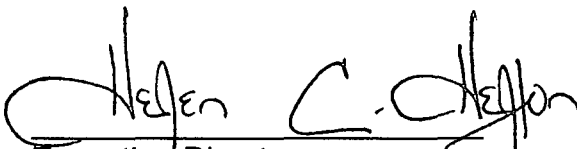
PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:


Executive Director